



December 23, 2013

Volume I

State Best Practices

Best Practice Call

Highlights:

- Established a new Dashboard
- Assists with the timely processing of workload
- Established safeguard to reduce Medicaid Eligibility errors
- Improved Electronic Client Information System
- Designed a new eligibility system that is now used state wide
- Automated the determination of Medicaid Eligibility
- Established an Error Review Committee
- Developed an Annual Error Prevention Plan
- Established Mentoring Call-discuss error trends and effectiveness of corrective actions.

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Are you looking for ways to lower your state payment error rate? CMS is offering the Payment Error Rate Measurement (PERM) Best Practice Call. During the PERM Best Practice Call, all states



and the District of Columbia come together to share Medicaid and CHIP program administration best practices, and lessons learned from PERM review findings. Our last call in July was a success. We had two states, volunteer to share some of their successful

program improvements and initiatives implemented to help reduce their state error rate. The Best Practice Calls are held on a quarterly basis each January, April, July, and October. Our next call will be on January 29, 2014 from 2-3pm Eastern Time. If your state would like to propose questions, share ideas on our next call or request to hear best practices from other states on a particular topic, please contact Tracy Smith- tracy.smith@cms.hhs.gov.



Official Error Rates!

Official error rates for federal fiscal year 2012 have just been released in the 2013 Health and Human Services (HHS) Agency Financial Report (AFR)! Remember—the error rates are dated with the reporting year and actually represent the previous fiscal year (i.e. the 2013 Medicaid error rate is the PERM error rate estimate for FY 2012). These numbers include the most recent cycle findings from all states.

FFS	3.6%	5.7%
Managed Care	0.3%	0.2%
Eligibility	3.3%	5.1%
National	5.8%	7.1%
The national payment error rates are comprised of a weighted average of FFS and managed care, the addition of eligibility, and the removal of a statistical overlap between the weighted average of FFS and managed care with the eligibility review processes.		



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Upcoming Calls:

FY 2013 PERM Cycle 2 call: December 26th 2-3pm EST-rescheduled
FY 2014 PERM Cycle call: January 7th 3-4pm EST
Best Practice Call: January 29th 2-3pm EST



We are on the web!
<http://www.cms.gov/PERM>.

New Features on cms.gov/PERM:
Corrective Action Plan (CAP) Process
Eligibility Tab



The new Statistical Methodology for PERM Error Rates:

Medicaid Rolling Rate:

The recently reported National Medicaid and CHIP error rates incorporate a new and improved error rate calculation process.

Previously, each time a cycle was measured CMS produced a national error rate for that year by projecting the findings from the 17 cycle states to the rest of the nation. The official rolling rate was simply a weighted average of these national error rates from the three most recent cycles.

The new rolling rate design projects payments made in error for each state and divides by total payments. The projection of error for each state is simply the most recent error rate for the state times the expenditures from the current year. An English based equation for this calculation is presented below:

$$\text{New Rolling Rate} = \frac{\text{Payments CA} * \text{Error Rate CA} + \text{Payments NY} * \text{Error Rate NY} + \dots}{\text{Total Payments}}$$

The new method results in improved precision of the Medicaid and CHIP national error rate estimates and does not bias the rate in any direction.

CHIP Rolling Rate:

This year only! Since only two cycles of states have been measured for this year's CHIP error rate, a slightly different design was used. The 34 states that have been measured were projected to the 17 that have not. Next year, both Medicaid and CHIP will utilize the same statistical method.

State-Level Recalculations in Rolling Rate

Good news! If your state is issued an error rate recalculation after the conclusion of your cycle, that recalculated rate will become your state's official error rate. Previously, error rate recalculations were issued for informational purposes only and not included in CMS' reported rolling program error rates. In the final report for the Government Accountability Office's (GAO) study on Medicaid improper payments, the GAO recommended that

CMS, "Update PERM Medicaid improper payment reporting procedures to provide for considering any corrections to state-level improper payment error data subsequent to the cutoff date that would have a significant impact on any of the 3 years used to develop the rolling average for the reported national Medicaid improper payment estimate." Since rolling error rates include error findings from three

PERM cycles, state-level error rate recalculations for the oldest two cycles are available at the time of error rate reporting each year (recalculations for the most current cycle are not).

